



Highlights of [GAO-05-116](#), a report to the Secretary of the Treasury.

### Why GAO Did This Study

GAO is required to audit the consolidated financial statements of the U.S. government. Due to the significance of the federal debt held by the public to the governmentwide financial statements, GAO has also been auditing the Bureau of the Public Debt's (BPD) Schedules of Federal Debt annually. The audit of these schedules is done to determine whether, in all material respects, (1) the schedules prepared are reliable, (2) BPD management maintained effective internal control relevant to the Schedule of Federal Debt, and (3) BPD complies with selected provisions of significant laws related to the Schedule of Federal Debt.

Federal debt managed by BPD consists of Treasury securities held by the public and by certain federal government accounts, referred to as intragovernmental debt holdings. The level of debt held by the public reflects how much of the nation's wealth has been absorbed by the federal government to finance prior federal spending in excess of total federal revenues. Intragovernmental debt holdings represent balances of Treasury securities held by federal government accounts, primarily federal trust funds such as Social Security, that typically have an obligation to invest their excess annual receipts over disbursements in federal securities.

[www.gao.gov/cgi-bin/getrpt?GAO-05-116](http://www.gao.gov/cgi-bin/getrpt?GAO-05-116).

For a fuller understanding of GAO's opinion on BPD's fiscal years 2004 and 2003 Schedules of Federal Debt, readers should refer to the complete audit report, available by clicking the link above, which includes information on audit objectives, scope, and methodology. For more information, contact Gary T. Engel at (202) 512-3406 or engelg@gao.gov.

## FINANCIAL AUDIT

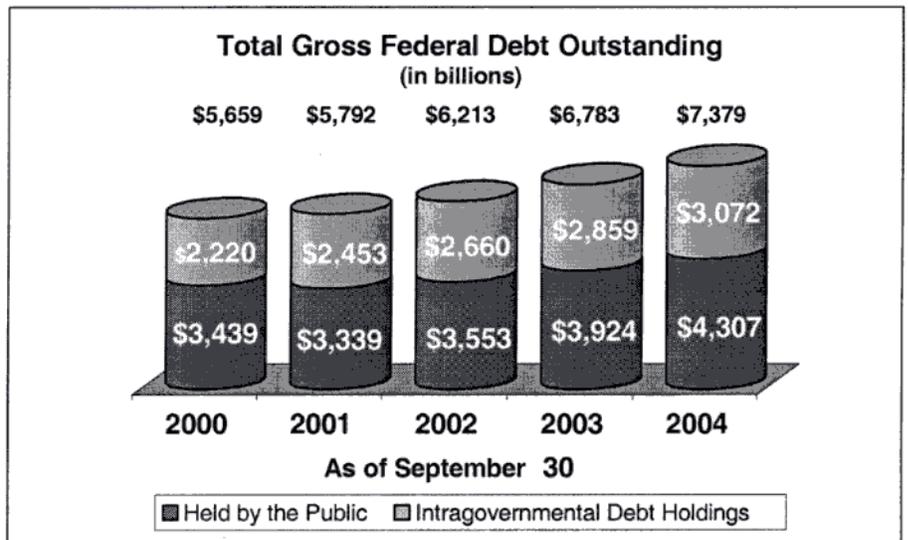
# Bureau of the Public Debt's Fiscal Years 2004 and 2003 Schedules of Federal Debt

### What GAO Found

In GAO's opinion, BPD's Schedules of Federal Debt for fiscal years 2004 and 2003 were fairly presented in all material respects and BPD maintained effective internal control related to the Schedule of Federal Debt as of September 30, 2004. GAO also found no instances of noncompliance in fiscal year 2004 with the statutory debt limit.

As of September 30, 2004 and 2003, federal debt managed by BPD totaled about \$7,379 billion and \$6,783 billion, respectively. At the end of fiscal year 2004, debt held by the public as a percentage of the U.S. economy is estimated at 37.5 percent, up from 33.1 percent at the end of fiscal year 2001. Further, certain trust funds (e.g., Social Security) continue to run surpluses, resulting in increased intragovernmental debt holdings. These debt holdings are backed by the full faith and credit of the U.S. government and represent a priority call on future budgetary resources. Gross federal debt has increased 27 percent between the end of fiscal years 2001 and 2004. As a result of the increasing federal debt, on October 14, 2004, Treasury entered into a debt issuance suspension period to avoid exceeding the current \$7,384 billion statutory debt limit and requested the Congress take action to raise the debt limit by mid-November 2004.

As shown below, total federal debt increased over each of the last 4 fiscal years. Debt held by the public decreased as a result of cash surpluses for fiscal year 2001, but increased during fiscal years 2002 through 2004, with the return of annual unified budget deficits. Intragovernmental debt holdings steadily increased during this 4-year period primarily due to excess receipts over disbursements in federal trust funds.



Source: BPD.